

DEPARTMENT OF REVENUE

FINANCIAL SUMMARY

	FY 2001 EXPENDITURE	FY 2002 APPROPRIATION	FY 2003 REQUEST	GOVERNOR RECOMMENDS FY 2003
Division of Administration	\$ 18,479,313	\$ 19,621,802	\$ 20,510,773	\$ 18,770,132
Division of Taxation	33,327,556	36,933,638	38,335,774	33,839,469
Division of Motor Vehicle and Drivers Licensing	31,914,622	35,776,284	40,173,768	36,519,029
Highway Reciprocity Commission	1,259,271	1,578,305	2,390,769	1,578,305
State Tax Commission	3,501,846	3,751,930	3,854,665	3,404,946
Refunds and Distributions	1,355,704,780	1,331,103,246	1,382,546,363	1,386,163,578
State Lottery Commission	105,004,086	127,711,781	126,802,547	126,607,616
DEPARTMENTAL TOTAL	\$ 1,549,191,474	\$ 1,556,476,986	\$ 1,614,614,659	\$ 1,606,883,075
General Revenue Fund	1,172,535,919	1,141,049,833	1,193,079,652	1,190,156,129
Federal Funds	173,164	2,530,953	3,479,453	3,479,453
Health Initiatives Fund	56,372	100,402	101,432	100,402
Gaming Proceeds for Education Fund	20,799	0	25,000	25,000
Gaming Commission Fund	0	500,000	25,000	25,000
Division of Aging Elderly Home				
Delivered Meals Trust Fund	20,998	21,604	21,871	21,604
Solid Waste Management Fund	802	0	25,000	25,000
Petroleum Storage Tank Insurance Fund	23,019	38,587	24,171	23,615
Motor Vehicle Commission Fund	660,214	679,133	683,287	679,133
Conservation Commission Fund	492,953	506,054	517,348	506,054
State School Moneys Fund	20,706	25,000	25,000	25,000
Department of Revenue Information Fund	920,183	929,364	934,459	929,364
State Highways and Transportation				
Department Fund	91,838,660	92,655,726	98,643,074	94,053,028
Workers' Compensation Fund	1,669,902	1,171,774	1,669,902	1,669,902
Second Injury Fund	149,025	498,966	498,966	498,966
Lottery Enterprise Fund	105,004,086	127,711,781	126,802,547	126,607,616
Petroleum Inspection Fund	30,444	30,809	31,497	30,809
Motor Fuel Tax Fund	175,550,102	188,000,000	188,000,000	188,000,000
Fair Share Fund	9,114	11,000	11,000	11,000
Aviation Trust Fund	15,012	16,000	16,000	16,000
Full-time equivalent employees	2,175.68	2,277.88	2,286.88	2,216.88

DEPARTMENT OF REVENUE

POLICY SUMMARY

The Department of Revenue serves as the primary revenue collection agency for the State of Missouri. The department strives to ensure that all taxes and fees owed the state are paid, that taxpayers are served conscientiously and efficiently, and that revenues are collected at minimal administrative expense.

A weakened economy and considerable growth in mandatory programs like Medicaid has resulted in the most significant budget challenge the state has faced since the early 1990s. The Fiscal Year 2003 budget includes the deepest core reductions ever recommended by a Missouri governor. These core reductions are necessary to ensure a balanced budget while continuing to provide essential state services. There are relatively few general revenue fund increases recommended in the Fiscal Year 2003 budget, and those that are recommended focus on mandatory programs. Governor Holden's number one priority is to fully fund the foundation formula distributions to public schools.

Tax Amnesty

The Governor proposes a tax amnesty program for a two-month period in the fall of 2002. The state has tried a tax amnesty program just once in its history. The program implemented in the early 1980s during a recession brought in only a minimal amount of money. The failure of that amnesty program was due to a number of things including limited advertising. In addition, the earlier tax amnesty program was conducted by the Department of Revenue under its limited authority, which prevents the director from waiving interest. States that have successfully implemented tax amnesty programs have allowed for waiving interest and penalties, thus giving individuals and businesses a greater incentive to come forward and properly report their tax liability. Governor Holden recommends:

- \$150,000 to advertise a tax amnesty program.

Highway Safety

The Department of Revenue is responsible for maintaining timely and accurate driving records, and for suspending, revoking, and disqualifying driving privileges. In order to ensure that unsafe drivers are removed from Missouri highways, Governor Holden recommends:

- \$948,500 to enhance the sharing of information on commercial and non-commercial drivers with the federal government and other states.

Some performance measures the Department of Revenue uses to evaluate its goal of efficiently serving Missourians follow:

	1999	2000	2001
Average number of days to process an individual income tax refund			
– Tax forms submitted before April 15*	14.0 days	4.7 days	3.4 days
– Tax forms submitted after April 15*	N/A	14.1 days	12.1 days
Delinquent individual taxes collected (millions)	\$76.9	\$91.3	\$75.5
Delinquent business taxes collected (millions)	<u>\$104.0</u>	<u>\$117.9</u>	<u>\$116.9</u>
Total	\$180.9	\$209.2	\$192.4
Cost to produce a motor vehicle title	\$3.55	\$3.52	\$2.54

*Excludes tax returns with mistakes and tax returns containing property tax credit claims.

DEPARTMENT OF REVENUE

DIVISION OF ADMINISTRATION

The Office of the Director is responsible for the processing and enforcement of tax and licensing functions. The administrative staff is responsible for all budgetary, accounting, and fiscal operations of the department. The legal counsel assists the divisions with their respective statutory functions, provides research and legislative assistance, and oversees the filing of administrative rules. The personnel office is responsible for recruiting and training employees, in addition to maintaining personnel records. The general services staff provides custodial, mail, and motor pool services. The criminal investigation bureau investigates suspected tax, motor vehicle, and driver's license fraud, and prepares cases for prosecution.

Fiscal Year 2003 Governor's Recommendations

- \$560,000 for postage for Article X refunds.
- \$59,172 state highways and transportation department fund and three staff transferred from the Division of Motor Vehicle and Drivers Licensing Central Office.
- \$36,732 and one staff transferred from the Division of Taxation, including \$14,693 general revenue.
- (\$1,461,714) and (22) staff in core reduction from the Fiscal Year 2002 appropriation level.
- (\$30,888) state highways and transportation department fund and (one) staff transferred to the Division of Motor Vehicle and Drivers Licensing Central Office.
- (\$14,972) petroleum storage tank inspection fund for one-time expenditures.

DIVISION OF TAXATION

Division of Taxation staff prepares tax forms, processes returns, maintains records of tax revenues, and assists the public. The central processing bureau is responsible for the initial processing of tax returns and related documents. The field audit bureau is comprised of seven Missouri offices and four out-of-state offices. Field staff audits sales/use, motor fuel, and corporate income taxes. The tax administration bureau is responsible for administering the financial institutions tax, city and state sales/use taxes, motor fuel tax, cigarette tax, individual income tax, corporate income tax, employer withholding tax, inheritance tax, and senior and disabled citizen tax credits. The taxpayer assistance bureau is responsible for collecting unpaid taxes and provides assistance to taxpayers at seven regional offices throughout the state.

Fiscal Year 2003 Governor's Recommendations

- \$150,000 to advertise the Tax Amnesty Program.
- \$30,000 for supplies to mail Article X refunds.
- \$97,704 and five staff transferred from the Division of Motor Vehicle and Drivers Licensing Central Office, including \$18,132 general revenue.
- (\$2,450,757) and (33) staff in core reduction from the Fiscal Year 2002 appropriation level.
- (\$884,384) state highways and transportation department fund core reduction for one-time expenditures.
- (\$36,732) and (one) staff transferred to the Division of Administration, including (\$14,693) general revenue.

DEPARTMENT OF REVENUE

DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING

Central Office

The Division of Motor Vehicle and Drivers Licensing is responsible for titling, taxing, and registering motor vehicles and motor boats, and for administering the mandatory automobile liability insurance program. The drivers licensing bureau issues and renews operator and commercial drivers' licenses and maintains records of these transactions. The motor vehicle bureau titles and registers motor vehicles and marine vessels, and collects sales/use tax, city sales tax, and other vehicle charges. The motor vehicle bureau is also responsible for licensing motor vehicle manufacturers, motor vehicle dealers, and boat dealers in Missouri. When circumstances warrant such action, this bureau performs field investigations to determine whether license revocation proceedings should be undertaken. The field services bureau oversees 180 branch and agent offices that provide drivers' licensing, motor vehicle titling, and registration services.

Fiscal Year 2003 Governor's Recommendations

- \$948,500 federal funds for the Federal Motor Carrier Safety Fund Application Interface System Redesign.
- \$30,888 state highways and transportation department fund and one staff transferred from the Division of Administration.
- (\$97,704) and (five) staff transferred to the Division of Taxation, including (\$18,132) general revenue.
- (\$59,172) state highways and transportation department fund and (three) staff transferred to the Division of Administration.
- (\$54,815) core reduction from the Fiscal Year 2002 appropriation level.

Branch Offices

Branch offices provide individual driver's licensing, motor vehicle titling, and registration services in the metropolitan areas. These offices are responsible for collecting, depositing, and accounting for all applicable taxes and fees, and provide information and assistance to Missouri citizens.

Fiscal Year 2003 Governor's Recommendations

- (\$24,952) and (one) staff in core reduction from the Fiscal Year 2002 appropriation level.

HIGHWAY RECIPROCITY COMMISSION

The Highway Reciprocity Commission is responsible for annual registration of commercial vehicles for interstate operation. Through the Multi-State Agreement, Uniform Proration Agreement, and International Registration Plan, the commission has entered into reciprocal agreements with all other states and four Canadian provinces to ensure proper registration and collection of fees from regulated commercial vehicles.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

STATE TAX COMMISSION

The State Tax Commission is responsible for maintaining equalized assessed land valuations among Missouri's 114 counties and the city of St. Louis. In carrying out these responsibilities, the commission hears appeals from local boards of equalization on individual cases and corrects assessments that it determines to be unlawful, unfair, or arbitrary. The commission also establishes the taxable valuation for public service and utility companies operating in Missouri.

Fiscal Year 2003 Governor's Recommendations

- (\$346,984) and (five) staff in core reduction from the Fiscal Year 2002 appropriation level.

**DEPARTMENT OF REVENUE
REFUNDS AND DISTRIBUTIONS SUMMARY**

FINANCIAL SUMMARY

	FY 2001 EXPENDITURE	FY 2002 APPROPRIATION	GOVERNOR RECOMMENDS FY 2003
Refunds from General Revenue Fund	\$ 1,001,177,716	\$ 1,068,300,000	\$ 1,110,600,000
Article X Refunds	98,856,167	0	5,950,034
Federal and Other Funds Refunds	21,601	500,000	75,000
State Share of Assessment Maintenance Costs	17,824,473	18,218,433	18,218,433
Certification Compensation	96,525	100,800	100,800
County Stock Insurance Tax	150,000	150,000	150,000
Refunds from the State Highways and Transportation Department Fund	2,147,711	2,015,448	2,147,711
Commercial Drivers' License Information System Fees	264,132	275,000	275,000
Problem Driver Pointer System	83,648	180,500	180,500
Attorney Fees	0	15,000	15,000
Motor Fuel Tax Distribution to Cities and Counties	175,550,102	188,000,000	188,000,000
Aviation Trust Fund Refunds	15,012	16,000	16,000
Motor Fuel Tax Refunds	44,219,423	42,070,000	44,219,423
Prosecuting Attorneys and Collection Agencies	2,154,797	2,728,000	2,728,000
County Filing Fees	142,538	200,000	200,000
Refunds from Workers' Compensation Fund	1,669,902	1,171,774	1,669,902
Refunds from Second Injury Fund	149,025	498,966	498,966
Tobacco Tax Refunds	39,981	86,000	86,000
Refunds from Motor Vehicle Commission Fund	7,891	12,000	12,000
Multistate Tax Commission Dues	207,735	232,101	174,701
Debt Offset Refunds	10,512,884	6,000,000	10,512,884
Income Tax Refund Designations	413,517	333,224	333,224
TOTAL	\$ 1,355,704,780	\$ 1,331,103,246	\$ 1,386,163,578
General Revenue Fund	1,131,536,352	1,096,262,558	1,148,968,076
Health Initiatives Fund	10,161	50,000	50,000
Gaming Proceeds for Education Fund	20,799	0	25,000
Gaming Commission Fund	0	500,000	25,000
Solid Waste Management Fund	802	0	25,000
Motor Vehicle Commission Fund	7,891	12,000	12,000
State School Moneys Fund	20,706	25,000	25,000
State Highways and Transportation Department Fund	46,714,914	44,555,948	46,837,634
Workers' Compensation Fund	1,669,902	1,171,774	1,669,902
Second Injury Fund	149,025	498,966	498,966
Motor Fuel Tax Fund	175,550,102	188,000,000	188,000,000
Fair Share Fund	9,114	11,000	11,000
Aviation Trust Fund	15,012	16,000	16,000

REFUNDS FROM GENERAL REVENUE

This appropriation is utilized to refund erroneous payments or overpayments of individual and corporate income taxes and other miscellaneous taxes that have been credited to general revenue.

Fiscal Year 2003 Governor's Recommendations

- \$42,300,000 for a total recommendation of an estimated \$1,110,600,000.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

Article X Refunds

Article X, Sections 16-24, Constitution of Missouri, requires refunds to taxpayers when the limit on total state revenues established in Article X is exceeded by one percent or more. The excess revenues are to be refunded pro rata based upon taxpayer liability reported on the Missouri state income tax returns filed following the close of the fiscal year in which the revenue limit was exceeded.

Fiscal Year 2003 Governor's Recommendations

- \$2,934,346 for Fiscal Year 1998 taxpayer refunds required under Article X, Constitution of Missouri.
- \$3,015,688 for Fiscal Year 1999 taxpayer refunds required under Article X, Constitution of Missouri.

REFUNDS FROM FEDERAL AND OTHER FUNDS

This appropriation is utilized to refund erroneous payments or overpayments of taxes that have been credited to funds besides general revenue.

Fiscal Year 2003 Governor's Recommendations

- (\$425,000) other funds core reduction from the Fiscal Year 2002 appropriation level for a total recommendation of an estimated \$75,000.

STATE SHARE OF ASSESSMENT MAINTENANCE COSTS

The state reimburses a portion of the costs and expenses for maintaining property assessments and preparing assessment lists and tax bills for township assessors, county assessors, and the St. Louis City Assessor. The state also reimburses all county assessors, except those in first-class chartered counties, on a quarterly basis provided they remain certified with the State Tax Commission.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

COUNTY STOCK INSURANCE TAX

The county stock insurance tax is a two percent per annum tax levied on direct premiums received by stock insurance companies doing business in the State of Missouri. Through the provisions of Section 148.330, RSMo, the receipts of the county stock insurance tax are distributed by the state to the county treasurers and treasurers of the school districts of counties in which stock insurance companies are located.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

REFUNDS FROM THE STATE HIGHWAYS AND TRANSPORTATION DEPARTMENT FUND

When an overpayment or error is made on a transaction credited to the state highways and transportation department fund, the difference is refunded to the individual or business involved.

Fiscal Year 2003 Governor's Recommendations

- \$132,263 state highways and transportation department fund for a total recommendation of an estimated \$2,147,711.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

COMMERCIAL DRIVERS' LICENSING INFORMATION SYSTEM

The federal Commercial Motor Vehicle Safety Act of 1986 required states to develop uniform commercial drivers' licensing systems or face the loss of federal highway funds. HB 3 (1989 Special Session) made the necessary changes to Missouri law to implement the commercial drivers' licensing information system.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

PROBLEM DRIVER POINTER SYSTEM

The federal government required states to implement a problem driver pointer system by April 1995 to identify and manage problem drivers or face the loss of federal highway funds.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

ATTORNEY FEES

The Department of Revenue is required by Section 302.536, RSMo, to pay court costs and attorney fees of persons who have an appellate court reversal of a Section 302.535, RSMo, (DWI) suspension or revocation.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

MOTOR FUEL TAX DISTRIBUTION TO CITIES AND COUNTIES

Article IV, Section 30(a)(2), Constitution of Missouri, requires 15 percent of the net proceeds from the motor fuel tax collections be allocated to the incorporated cities, towns, and villages of the state to assist in the maintenance of streets and highways.

Article IV, Section 30(a)(1), Constitution of Missouri, requires that ten percent of the net proceeds from motor fuel tax collections be distributed to the counties to assist in the maintenance of county roads, highways, and bridges. On August 4, 1992, voters approved Constitutional Amendment No. 8 to require that 15 percent of the net proceeds resulting from any increase in the motor fuel tax rate over the rate in effect on March 31, 1992, be distributed to the counties to assist in the maintenance of county roads, highways, and bridges.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

REFUNDS FROM AVIATION TRUST FUND

Taxes paid by commercial agricultural aircraft operators for aviation fuel used in commercial agricultural aircraft must be refunded upon application for a refund.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

MOTOR FUEL TAX REFUNDS

Section 142.230, RSMo, provides for refunds of taxes paid on fuel used to propel non-highway vehicles. Refunds of fuel taxes paid to propel agricultural, marine, and industrial/commercial vehicles are examples of allowable non-highway refunds. Unclaimed marine refunds are transferred to counties having at least 100 miles of shoreline for the purpose of maintaining county roads and bridges.

Fiscal Year 2003 Governor's Recommendations

- \$2,149,423 state highways and transportation department fund for a total recommendation of an estimated \$44,219,423.

PAYMENTS TO PROSECUTING ATTORNEYS AND COLLECTION AGENCY FEES

Section 136.150, RSMo, provides for payment of a collection fee of 20 percent of delinquent taxes, licenses, or fees recovered on behalf of the state by circuit or prosecuting attorneys. The collection fee is deposited in the county treasury with one-half of the fee for use by the attorney's office and one-half to be expended as the county determines. This incentive program provides additional resources to counties and a five-to-one benefit/cost ratio to the state.

The Department of Revenue is authorized by Section 140.850, RSMo, to use commercial collection agencies to collect delinquent personal income taxes owed by resident and non-resident taxpayers. The statutes permit payment of a collection fee not to exceed 25 percent of the amount collected. This program provides at least a four-to-one benefit/cost ratio to the state.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

COUNTY FILING FEES

The Department of Revenue is authorized to file tax liens on property owned by taxpayers that are delinquent in income tax or sales/use tax. County recorders charge the Department of Revenue a fee of \$3.00 for the filing of each tax lien and a fee of \$1.50 for each release of a tax lien filed on property owned by taxpayers that are delinquent in income tax or sales/use tax.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

REFUNDS FROM THE WORKERS' COMPENSATION FUND

The Department of Revenue is required to issue refunds for overpayment of workers' compensation taxes paid by insurance companies. Estimated quarterly tax payments are made based on the prior year's activity. If actual taxes owed are less than the estimated payments, this appropriation is used to refund the overpayment.

Fiscal Year 2003 Governor's Recommendations

- \$498,128 workers' compensation fund for a total recommendation of an estimated \$1,669,902.

REFUNDS FROM THE SECOND INJURY FUND

This appropriation is utilized by the Department of Revenue to refund any overpayment of funds to the second injury fund.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE

REFUNDS AND DISTRIBUTIONS (Continued)

TOBACCO TAX REFUNDS

These funds are used to make refunds for overpayments or erroneous payments of amounts that have been credited to the health initiatives fund, state school moneys fund, and the fair share fund for tobacco taxes.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

REFUNDS FROM THE MOTOR VEHICLE COMMISSION FUND

These funds are utilized to make refunds for overpayments or erroneous payments of amounts that have been credited to the motor vehicle commission fund.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

MULTISTATE TAX COMMISSION DUES

The Multistate Tax Commission and Compact facilitate determination of the tax liability of multi-state taxpayers, promote uniformity and compatibility in tax systems, avoid duplicative taxation, and provide taxpayer convenience in filing tax returns.

Fiscal Year 2003 Governor's Recommendations

- (\$57,400) core reduction from the Fiscal Year 2002 appropriation level.

DEBT OFFSET REFUNDS

Chapter 143, RSMo, provides a mechanism to offset debts owed to the state against tax refunds payable to the debtor. The Department of Revenue transfers to the State Treasurer the amount of the debt certified to be owed to a state agency in an amount not exceeding the tax refund claimed. Any amount in excess of the debt is forwarded to the taxpayer. Upon settlement of the claim through the established administrative hearings process, the escrow funds are returned to the state agency and/or the payee.

Fiscal Year 2003 Governor's Recommendations

- \$4,512,884 for a total recommendation of an estimated \$10,512,884.

INCOME TAX REFUND DESIGNATIONS

State statutes permit individuals and corporations to contribute a portion of any income tax refunds that they are owed to four separate state trust funds. The four trust funds include the children's trust fund (Section 210.174, RSMo), the division of aging elderly home delivered meals trust fund (Section 660.078, RSMo), the veterans' trust fund (Section 42.140, RSMo) and the Missouri National Guard trust fund (Section 41.215, RSMo). The amounts designated by taxpayers for distribution to the four trust funds are transferred from the general revenue fund.

Fiscal Year 2003 Governor's Recommendations

Continue funding at the current level.

DEPARTMENT OF REVENUE

STATE LOTTERY COMMISSION

The Missouri State Lottery was established by voter approval of Constitutional Amendment No. 5 on November 6, 1984. On August 2, 1988, voters approved Constitutional Amendment No. 3 to revise the lottery prize structure and certain promotional restrictions.

Fiscal Year 2003 Governor's Recommendations

- (\$753,165) lottery enterprise fund core reduction from the Fiscal Year 2002 appropriation level.
- (\$351,000) lottery enterprise fund core reduction for one-time expenditures.

	FY 2001 EXPENDITURE	FY 2002 APPROPRIATION	GOVERNOR RECOMMENDS FY 2003
Operating Expense			
Personal Service	\$ 6,432,492	\$ 6,901,724	\$ 6,901,724
Expense and Equipment	36,332,049	40,810,057	39,705,892
Prizes	62,239,545	80,000,000	80,000,000
TOTAL			
Lottery Enterprise Fund	\$ 105,004,086	\$ 127,711,781	\$ 126,607,616

Full-time equivalent employees	175.80	178.50	178.50
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LOTTERY ENTERPRISE FUND TRANSFER

Section 39(b) of Article III of the Missouri Constitution provides that a minimum of 45 percent of moneys received from the sale of lottery tickets shall be paid as prizes. On August 4, 1992, voters approved Constitutional Amendment No. 11 to dedicate net lottery proceeds to fund public institutions of elementary, secondary, and higher education.

Fiscal Year 2003 Governor's Recommendations

- \$185,800,000 lottery enterprise fund transfer to the lottery proceeds fund.

	FY 2001 EXPENDITURE	FY 2002 APPROPRIATION	GOVERNOR RECOMMENDS FY 2003
Lottery Enterprise Fund	\$ 156,918,454	\$ 155,980,484	\$ 185,800,000

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